

# Inverclyde Council

## The Audit of Best Value and Community Planning

Progress report

Prepared for the Accounts Commission

November 2005



### The Accounts Commission

The Accounts Commission is a statutory, independent body which, through the audit process, assists local authorities in Scotland to achieve the highest standards of financial stewardship and the economic, efficient and effective use of their resources. The Commission has four main responsibilities:

- securing the external audit including the audit of Best Value and Community Planning
- following up issues of concern identified through the audit, to ensure satisfactory resolutions
- carrying out national performance studies to improve economy, efficiency and effectiveness in local government
- issuing an annual direction to local authorities which sets out the range of performance information they are required to publish.

The Commission secures the audit of 32 councils and 35 joint boards (including police and fire services). Local authorities spend over £13 billion of public funds a year.

**Audit Scotland** is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Executive and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.



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# Introduction

The Local Government in Scotland Act 2003 introduced new statutory duties relating to Best Value and Community Planning. In June 2005, the Accounts Commission published its report on the Audit of Best Value and Community Planning undertaken at Inverclyde Council.

The report described a council that was not in a position to deliver Best Value, and highlighted extensive and fundamental weaknesses in leadership and direction by both elected members and senior management. The Commission felt that those weaknesses were preventing Inverclyde Council from making progress on Best Value. It also indicated that given the extent of the problems and previous history it was not convinced that the capacity to deliver the necessary improvements existed among current senior management at the council.

The audit report indicated that there were instances of good service performance, such as in the education service, and also recognised the council's commitment to the regeneration of its area and the significant efforts of front line staff. However, the Commission considered that the council would not be able to deliver for the people of Inverclyde without urgent and major remedial action.

The Commission identified a number of requirements that would have to be met for the council to move towards Best Value. These included:

- More effective leadership by senior managers and elected members
- Greater consistency in decision making and scrutiny by elected members, based on clear evidence and performance information
- A more effective approach to corporate strategic management by the chief executive and the Corporate Management Team
- The development of a continuous improvement culture across all areas of the organisation
- The development of a clear approach to demonstrating value for money and competitiveness, particularly in former CCT service activities
- A focus on the good practice that exists, both inside and outside the organisation.



The Commission made the following recommendations to Inverclyde Council:

1. The council should immediately carry out a recovery exercise which addresses core problems in the organisation.
2. The council should undertake a fundamental review of its management and service structure arrangements based on a clear and logical analysis of customer need as well as organisational efficiency.
3. The council should undertake a review of the management capacity required to deliver on the challenges facing Inverclyde in terms of skills, knowledge and experience.
4. The council should undertake a performance review of all services, focusing on the identification of customer needs and the establishment of a clear performance baseline for all services from which targets can be set and against which future performance can be measured.
5. Action should be taken by members and senior managers to develop an effective working relationship that supports the needs of the organisation and the delivery of Best Value services to the people of Inverclyde.
6. The council should secure appropriate external assistance, both on a consultancy basis and at a governance level from elected member and chief executive peers, during this recovery exercise.

In concluding its findings the Commission said that it would continue to monitor the situation. It required a further report by the Controller of Audit on the immediate steps taken by the council as at 31 October 2005, with a view to giving consideration at that point to any further measures that need to be taken.



# Commission findings

1. When the Commission made findings on the Best Value report on Inverclyde Council in June 2005 it required a further report by the Controller of Audit on immediate steps taken by the council as at 31 October 2005 and the Commission accepts this report as fulfilling that requirement. The Commission recognises that the report gives a broad picture of the council's performance based on the work of Audit Scotland and does not attempt a comprehensive review of all service delivery. We acknowledge the co-operation and assistance given to the audit process by members and officers of the council.
2. The Commission accepts the conclusion of the report that the conditions are now in place to expect major change at Inverclyde Council. It also, however, accepts that greater assurance is required on the matters set out in paragraph 35 of the report.
3. In its findings in June the Commission set out its recommendations for the council to recover and the challenges involved in this level of recovery should not be underestimated. Although the circumstances of the last five months may have limited the tangible progress that could be made, the Commission is concerned about the continued pressure on front-line staff and the need to deliver high quality services to the people of Inverclyde. It is difficult to see how the recovery process can be driven as it should under the present part-time Interim Management Arrangements.
4. It is vital therefore, that the council increase the momentum of its drive for change. In particular, the Commission urges the council to:
  - Immediately begin the process for the recruitment of a new chief executive and carry it to conclusion as quickly as possible consistent with sound recruitment practices.
  - Immediately draw up a robust project plan with key milestones and timescales to cover the next 12-18 months, including measures to address the matters set out in paragraph 35 of the report.
  - Ensure that the Interim Management Arrangements are strengthened to address all of the needs of the council at this time.
5. The Commission supports the council in its moves to address the issues but must see action on the important areas outlined above robustly and urgently taken. The Commission will continue to monitor the situation and requires a further report by the Controller of Audit on progress as at 31 March 2006 when it will give consideration to any further measures which need to be taken.



# Progress at Inverclyde

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Inverclyde Council has made progress on its recovery, but there is still a long way to go.

It responded to the audit by establishing a Recovery Group and commissioning external expertise to advise on the key areas where change is needed. However, a hiatus developed during the period that led to the departure of the chief executive at the end of September and it is too early to assess the impact of the activity that has taken place since then.

The programme for the next six months is crucial for the recovery of the council, but current plans need to be more robust. Interim management arrangements have only been in place since the end of October, and the success of these will be critical in ensuring a disciplined focus on what needs to be done.

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1. Inverclyde Council has made progress on its recovery, but given the scale of what needs to be done, there is still a long way to go.
2. It has taken some time for the need for change to be accepted and understood across the council. While there were elected members and staff who were already aware of the need for major improvement, overall there was a lack of understanding about Best Value issues at Inverclyde, and this appears to have fuelled a significant amount of denial in the period after the publication of the Best Value audit report.
3. Real acceptance has gradually increased through those involved being aware of the negative impact on Inverclyde that resulted from the way business was done in the council, and through being exposed to alternative ways of working that bring benefits to other council areas in Scotland. This incremental growth of acceptance and understanding, developing side by side, has occurred throughout the last five months and will continue as recovery builds.
4. In anticipation of the report from the Audit of Best Value being published, Inverclyde Council established a Recovery Group on 4 May 2005. Its remit was to lead the council's response to the Accounts Commission's findings and to make recommendations.
5. In seeking to emphasise that there was full organisational commitment to a recovery exercise, the membership of the Recovery Group was cross-party, including the leader of the council and his depute, alongside the leader of the minority group and his depute. All officers on the Council Management Team were members of the Recovery Group – the chief executive and the directors of Environment & Regeneration Services, Corporate Services, Education Services, and Community Services. The chief executive of the local government Improvement Service was invited to become a member in order to provide external support and facilitation. In July, three representatives of the council's trades unions were invited to the group and attended all meetings after that date.



6. It was agreed that the leader of the council and the leader of the opposition would jointly chair the Recovery Group and that an important part of its job would be to demonstrate that members of the council could work effectively together and that officers and members could work constructively as a team. The establishment of this group was an important step in creating a framework for the recovery exercise as a whole and a climate in which issues could be openly discussed and progress made.
7. In the period to mid-October, the Recovery Group met on 12 occasions with a consistent and stable attendance from members. The discussions have reflected the peaks and troughs of the recovery process itself, with significant action being taken early on in agreeing the first phase of action and commissioning the external consultancy work. The Recovery Group appears to have been very responsive to the input from the chief executive of the Improvement Service and the views of the Peer Support Group established.
8. The scope of the recovery exercise initially established by the council addressed the core problems identified in the audit report. At its early meetings, the Recovery Group moved quickly to agree a plan of action. This was structured around four key elements underpinned by the work of the external consultants:
  - Culture and councillor/officer relationships, including
    - effective leadership and direction
    - reviewing methods for policy formulation and development
    - effective working relationships and ethos.
  - A structure to meet council objectives and manage the delivery of effective services.
  - The development of an Integrated Corporate Performance Management Framework.
  - Trading operations.
9. Through the Convention of Scottish Local Authorities (CoSLA), the council engaged the services of a Peer Support Group, which included the council leaders and chief executives of five local authorities: Dumfries and Galloway; East Dunbartonshire; Fife; North Lanarkshire; and West Lothian. The Peer Group also included the president and chief executive of CoSLA.
10. The role of the Peer Support Group was to provide an overview and analysis of improvement and restructuring proposals arising from the recovery exercise, commenting on their relative strengths and weakness and practicality. Members of the group were also asked to facilitate visits to their councils by Inverclyde members and officers with a view to accessing examples of 'best practice'. A number of these took place between June and October. While there were not many direct meetings of the Peer Support Group with Inverclyde, it does appear to have had a significant impact. The views of other serving elected members and senior officers have been important in confirming the need for significant change and the value of alternative ways of working.



11. By mid August, senior elected members were clear about the need for a fundamental change in direction for the council. This resulted from their contact with the Peer Group of councils, the work done by the Improvement Service to support the recovery process and elected members' experience in the council in the preceding weeks.
12. As part of this fundamental change in direction, an agreement was reached with the chief executive that he should leave the council and his employment ended in late September after a protracted period of negotiations on the terms of severance that would apply. The council had asked Cosla to manage these negotiations on its behalf and it is difficult to see how they could have been concluded more quickly, but this was a period during which little happened on addressing the range of problems at the council.
13. There were many meetings of the Recovery Group, and sessions for elected member development supported the growth in their understanding about the need for change. However, there was very little communication with council staff at this time, and no real encouragement was given to council services to begin to address some of the key issues identified in the Commission's recommendations
14. An increase in pace was evident in the weeks after the chief executive left. This activity included the establishment of a wider Officers Recovery Group, which includes all Heads of Service, and the creation of a number of officer working groups to address key issues associated with the recovery.
15. As these developments have been very recent and have only been in place since the last week in September, it is too early to assess the impact of this work. It also happened prior to the establishment of the interim management arrangements that had been agreed by the council when the chief executive left. Understandably senior management were keen to 'catch up', but as a result the work appears rushed and lacks coordination and clear focus. In particular the programme of planned activity needs more work, especially in relation to outcomes and critical success factors. The timescales need to be firmed up through proper project planning.
16. The interim management arrangements for the council commenced at the end of October, with the appointment of Rory Mair, Chief Executive of CoSLA as interim chief executive at Inverclyde. He will be joined by another two part-time appointments to cover finance and programme management, and this small team will support the council through the next phase of recovery. It has moved quickly to address the need for a more disciplined and focussed recovery plan.



17. The council can now build on the positive steps taken during the last five months. It has received three reports from external consultants, which address core issues arising from the Best Value audit:
- The Improvement Service has provided recommendations on the relationship between elected members and officers, the way that policy is developed, annual business planning and the process through which decisions are made.
  - Bishops Consulting has reported on extensive analysis carried out in the council's trading operations, on the issue of competency levels for senior management and on three options for a new management structure. Its report contains recommendations across eight key management developments.
  - The Scottish Local Authorities Management Centre has provided recommendations on establishing a corporate performance management framework, including the establishment of strategic objectives and an annual corporate improvement plan.

The council has also carried out a survey of all local residents to seek their views on a broad range of issues, including their perceptions of the council, their satisfaction with individual services and their priority areas for improvement.

18. These four reports provide the council with significant information on the direction it needs to take. They have also served to confirm many of the conclusions from the Best Value audit, and this has helped to reinforce the process of acceptance and understanding amongst members and officers.
19. While there appears to be broad agreement that fundamental change is needed at the council, there is less understanding about what a new approach will look like. It is not clear exactly what detail has been agreed from the external consultant reports, which recommendations have been accepted and what impact they will have. This is also being addressed by the work of the interim management team in preparing a new programme.
20. The council has included references to the management of service performance in a number of areas in its recovery plans. The main thrust of this has been in agreeing to the development of a corporate performance management framework, and a report was commissioned from Dr Mark McAteer at Strathclyde University's SLAM centre.
21. As with the other commissioned reports, the council appears to have given broad support to the recommendations in this report, although there is little detail as to how the development work and implementation will be conducted. There are vague references in the current Recovery Plan Timeline to the process developing over the course of the next 12 months, but there does not appear to be a detailed project plan as yet. Work has started on the development of a new Corporate Plan but this is at an early stage.



22. There does not appear to have been any work carried out in establishing a baseline of current service performance, with attention being focussed on the need to develop a performance management framework. While this will require in due course to be populated with data from services, it will be some time before the arrangements for this are in place. At the end of September, each service directorate produced a Best Value and Continuous Improvement report. It is not clear what they were intended to achieve, although they provide some evidence that services are beginning to think about Best Value issues. The reports vary in style and content and do not provide clear baseline information about current levels of performance on key indicators.
23. The advantage to starting work now on baseline information is that it will engage those working on service delivery allowing them to embrace performance management and improvement at an early stage. Robust performance management takes time to develop and small steps at the outset that build ownership and confidence can provide rewards at a later stage. The council needs to revisit this area of its plans at an early date.
24. As the specific details on what the council will do over the next six months have still to be firmed up, it is difficult to be exact about its future plans. There are however, a number of developments which are more fully formed and where considerable agreement exists:
  - The council has formally agreed to move to a new management structure based on the principles of strategic corporate management. The specific detail of the structure has not yet been agreed as discussions are still taking place with regard to some key issues, such as the responsibilities of each new director post and how they will relate to the Heads of Service level. The process to be adopted for recruitment of the new chief executive and for populating the new management structure has not been finalised.
  - A new 'pre-agenda' system for committee work has been agreed and a new protocol is being developed for officer - member relations. The Administration Group is also reviewing how it conducts its business.
  - Preparations are underway to produce a new Corporate Plan.
  - A member - officer group has been established to address the issue of member support.
  - Officers at Head of Service level are now engaged in the recovery process and developing projects on key issues.



25. There is evidence that many employees of the council, particularly at middle manager level and on the front-line, were in considerable agreement with the Best Value audit report's conclusions, were encouraged by it and are prepared to make a positive contribution to the future of Inverclyde. They feel that the community has reacted negatively to coverage in the media and that the public's general criticism has been targeted at all staff.
26. While staff appear to enjoy working at Inverclyde and there are good relations at a local level, there is a strong view that management at a senior level needs to improve and that communications are a key priority area for improvement. This has been strengthened by employee experiences during the recovery process so far, as there was limited information circulated and an inconsistent approach from service to service. Staff have been unhappy about not being briefed concerning matters they were reading about in the newspapers, although there is a sense that communications have been improving recently.
27. During the recovery exercise, there has been significant pressure on staff to ensure that council services were continuing to be delivered to the best of their abilities, particularly where senior management have been heavily involved in recovery work. Overall, there is no evidence of significant negative impact on service delivery, although the risk of this happening will increase if recovery actions are not implemented.
  - There have been no effective arrangements at directorate level for Social Work services since very early this year, and while officers in the department have worked hard to maintain service standards, this is not a situation that should continue in such a critical service.
  - Housing management services have been under additional pressure at this time as preparations are underway for a possible stock transfer. Performance in some areas of the department is deteriorating significantly, especially in rent arrears, and specific action is needed in this regard.
  - Despite the commitment to new ways of working, poor decision making procedures have continued to act as a barrier to Best Value. A decision by the council during August to re-purchase an area of land at Rankin Park in Greenock raised concerns within the council and was investigated by the local external auditor. She concluded that the decision was taken on limited information and an incomplete financial assessment. The financial impact of the decision was not fully explored and despite the decision appearing to have been accepted by the council, a full risk assessment was not carried out. The situation will continue to be monitored by the local auditor.
28. All of these examples emphasise the importance of moving with speed and rigour on addressing the council's problems and implementing effective recovery actions.



# Conclusions

29. While a recovery exercise has been put in place by Inverclyde Council, it is only now reaching the stage where proper implementation can begin. Recovery group members have expended considerable energy, and acceptance and understanding have grown steadily. Although work was quickly commissioned in key areas at the start of the exercise, progress was limited while the future of the chief executive was being considered and activity in the weeks afterwards was rushed and lacked sufficient focus.
30. The council has made considerable use of external support and expertise. This has been readily forthcoming from the local government community, including a structured approach to Peer Support and significant resources from the Improvement Service.
31. The council has agreed to a fundamental new direction and a new management structure will be put in place to support this. Elected member development is underway and preparations have begun to establish an effective system for managing performance throughout the council.
32. The challenges involved in this level of recovery should not be underestimated. In a council that has lacked clear direction and leadership on Best Value issues in the past, the future brings a steep learning curve for many of those involved. Addressing the deeply embedded styles of management that represent the old culture will take time. Establishing a new approach to business planning through a reformed budget process will need to be done over more than one budget round. While the production of a new Corporate Plan may be done in a reasonable timescale, ensuring that it links effectively with the needs of the community, the work of key partners and the operational requirements of front-line service delivery is a more complex exercise.
33. It will be a significant challenge for the council to maintain a disciplined focus on recovery without the full-time presence of a chief executive or director of Corporate Services, and with a continuing gap in support for Social Work services at director level. Although interim management arrangements have been put in place, there are risks associated with their part-time nature.
34. To limit the risk to service delivery and ensure that the Inverclyde community has effective local government as soon as possible, a rapid increase in pace is required. This very much emphasises the need for the programme of change for the next six months to be made more robust. Actions and outcomes must be clearly expressed in measurable terms. This is an exercise that must be undertaken as a matter of urgency by the council.



35. While the circumstances of the last five months may have limited the tangible progress that can be made on recovery at Inverclyde, the conditions are now in place to expect major change. However, it is critical that the next six months are a focussed and disciplined period of development at the council and greater assurance is required on a number of specific issues:

- Given the changes needed in culture and relations within Inverclyde, the presence of the interim management team at the council will be essential, at least for the first few months. Clarity is needed as to how this will be achieved. In addition, accountabilities and reporting arrangements need to be made clear to all concerned.
- The council needs to make an explicit statement on its proposed new management arrangements as these are at the core of the Statutory Duty on Best Value. This should include what has already been agreed, what is still to be considered, what thinking is being applied and when final decisions will be made.
- The move to a new management structure does not in itself address management capacity and competency issues. The process to be adopted for recruitment of the new chief executive and for populating the new management structure will be an important factor in providing public assurance on the effectiveness of the future management of the council. Well-managed public organisations use, as a matter of course, robust and objective assessment procedures in selecting their staff. The council's external advisers are clear that there needs to be an open, fair and transparent process applied, and their recommendations include a methodology for this that includes significant independent, external involvement. The council should make an explicit statement on how it intends to recruit and select to the new structure.
- There should also be plans for how management development issues will be addressed across the rest of the organisation in the medium to longer term, to support staff throughout the council.
- Clarification is required about the action to be taken on the developing elected member role, their relations with officers and the process of decision-making.
- The council should revisit the establishment of baseline information on service performance across the council. This will engage staff at service delivery level and provide initial material to populate the new performance management framework as it develops.
- A robust project plan should be drawn up for the next twelve months that incorporates the above issues and is presented in accordance with SMART principles and with key milestones identified.
- The council should commit to the continuing use of external expertise including the Improvement Service and Peer Support after the end of the interim management arrangements.



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